



## THE PREVAIL ACT PROVIDES MUCH-NEEDED REFORMS TO REDUCE HARASSMENT OF STARTUPS AND INVENTORS

**The Importance of Reliable Patent Rights:** Patents are the lifeblood of innovative startups, particularly those with significant research and development costs. Robust and enforceable intellectual property protections attract capital and ensure a seat at the table across from much larger, highly resourced, and heavily entrenched competitors. But patent rights have been under assault in recent years, and much of the resulting uncertainty can be traced to abuses of the *Inter Partes* Review (IPR) and Post Grant Review (PGR) proceedings for challenging the validity of issued patents at the Patent Trial and Appeal Board (PTAB), an administrative tribunal within the United States Patent and Trademark Office (USPTO).

**The Problems Facing Inventors and Startups:** When Congress created these proceedings as part of the *America Invents Act (AIA)* in 2011, it recognized the potential for abuse and harassment of patent owners.<sup>1</sup> But it could not have envisioned the extent of the predatory infringement strategies, extortion and stock-market manipulation schemes, tactics designed to secure leverage in unrelated disputes, and duplicative litigation loopholes exploited by opportunistic parties and clever attorneys.<sup>2</sup> As a result, the PTAB has become an *additional* litigation tool for mercenaries, Big Tech, and Chinese competitors to impose costs on inventors and small businesses seeking to enforce their patent rights<sup>3</sup> rather than the “quick and cost-effective *alternatives* to litigation” envisioned by Congress.<sup>4</sup> Moreover, the AIA included structural flaws that subjected patent owners to lower invalidation standards, permitted anyone to file petitions, and omitted sufficient ethical safeguards, among other shortcomings. **Rather than curbing unnecessary litigation, the PTAB has multiplied proceedings and costs for all involved.**

**The Legislative Solution:** *The Promoting and Respecting Economically Vital American Innovation Leadership Act (PREVAIL) Act* represents a much-needed course correction that would restore confidence in our patent

---

<sup>1</sup> See H.R. Rep. No. 112-98, pt. 1, at 48 (2011) (recognizing “the importance of quiet title to patent owners to ensure continued investment resources,” and warning that AIA trial proceedings should not “be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent”).

<sup>2</sup> See, e.g., Lamar Smith, *Don't Weaken the Leahy-Smith America Invents Act*, Bloomberg Law (March 30, 2022), <https://news.bloomberglaw.com/ip-law/dont-weaken-the-leahy-smith-america-invents-act> (“In the decade since the AIA took effect, the wording in the law to prevent that harassment has proved unequal to the task, and entire industries have emerged to perpetuate these abuses.”).

<sup>3</sup> See Innovation Alliance, *Infographic: Big Tech Companies Are Biggest Users of PTAB, 2012-2022* (Jan. 31, 2023), <https://innovationalliance.net/from-the-alliance/infographic-big-tech-companies-are-biggest-users-of-ptab-2012-2022/>.

<sup>4</sup> H.R. Rep. No. 112-19, part 1, at 48 (emphasis added).

system and reinvigorate entrepreneurs to invest in the research and development necessary to realize the full scope of critical, next-generation technologies and drive our innovation economy.

**The PREVAIL Act would make several critical improvements to the PTAB process:**

- Providing a standing requirement for filing petitions.
- Applying the same evidentiary standards as district courts.
- Prohibiting parallel litigation in multiple forums.
- Limiting serial and duplicative petitions.
- Recognizing district court validity adjudications.
- Closing a loophole permitting time-barred petitioners to join subsequent proceedings.
- Providing greater transparency.
- Requiring the establishment of a PTAB code of conduct.

**Case Studies:** The following real-life examples are but a small sample of the harassment and abuses suffered by patent owners, demonstrating the need for the PREVAIL Act and its potential impact:

1. Intel Corp., OpenSky Industries LLC, and Patent Quality Assurance LLC v. VLSI Technology LLC

Perhaps the most controversial IPR proceedings in recent memory involve petitioners OpenSky and PQA, which were formed *solely* to challenge two VLSI patents that a jury had recently found Intel to have infringed to the tune of over \$2 billion in damages. The USPTO Director personally sanctioned both entities for filing abusive petitions, but perplexingly permitted the IPRs to continue. Despite the fact that Intel had already had its own petitions denied at the PTAB, and despite the fact that Intel was statutorily barred from filing additional petitions due to the now-concluded jury trial in which it had the opportunity to litigate validity, Intel itself was joined to the proceedings initiated by OpenSky and PQA and was permitted to stand in their shoes for purposes of maintaining the challenges to the validity of VLSI's patents.<sup>5</sup> Despite the pending appeal from the district court judgment, the PTAB has now issued decisions finding VLSI's claims unpatentable.<sup>6</sup>

**If the PREVAIL Act had been enacted:** None of this activity, which Director Vidal herself called an "abuse of process<sup>7</sup>," would have been possible under the PREVAIL Act. For example, neither OpenSky nor PQA could have satisfied the standing requirement to file petitions in the first place, which in turn would foreclose Intel from seeking joinder or further review. Intel's petitions would also have been rejected in view of the prior district-court adjudication, and Intel would have been subject to a rebuttable presumption against joinder in view of its otherwise time-barred status. Moreover, had Intel nonetheless succeeded in securing review at the PTAB, it would have been required to abandon its invalidity defenses in the district court litigation and appeal. The final outcome of the IPRs may also have been different in view of the presumption of validity

---

<sup>5</sup> See, e.g., Riddhi Setty, *VLSI Challenges Draw Sanctions from Patent Office Director*, Bloomberg Law (Dec. 22, 2022), <https://news.bloomberglaw.com/ip-law/patent-office-director-issues-sanctions-in-vlsi-challenges>.

<sup>6</sup> See *OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper 135 (PTAB May 12, 2023); *Patent Quality Assurance, LLC v. VLSI Tech. LLC*, IPR2021-01229, Paper 129 (PTAB June 13, 2023).

<sup>7</sup> [https://www.uspto.gov/sites/default/files/documents/ipr2021\\_01064\\_paper\\_102\\_decision.pdf?utm\\_campaign=subscriptioncenter&utm\\_content=&utm\\_medium=email&utm\\_name=&utm\\_source=gondelivery&utm\\_term=](https://www.uspto.gov/sites/default/files/documents/ipr2021_01064_paper_102_decision.pdf?utm_campaign=subscriptioncenter&utm_content=&utm_medium=email&utm_name=&utm_source=gondelivery&utm_term=)

and the heightened clear-and-convincing-evidence burden of proof, which mirror the standards applied in district court.

2. Cisco Systems, Inc. and Palo Alto Networks, Inc. v. Centripetal Networks, Inc.

Centripetal is an American network security company that has fought to vindicate its intellectual property rights against large, incumbent technology companies. In late 2020, Centripetal prevailed in district court against a Big Tech giant, Cisco, securing a damages award of well over \$2 billion based on the judge's determination that Cisco had willfully infringed Centripetal's patents. Palo Alto Networks then filed a petition challenging one of those patents, despite not having been accused of infringing it, and Cisco was permitted to join that proceeding despite the fact that—like Intel—it was statutorily time-barred from filing its own petition challenging that patent. As a further twist, the district court judge's infringement and damages decision was vacated on appeal due to his wife's purchase of a few thousand dollars of Cisco stock, but when Centripetal discovered that one of the PTAB judges adjudicating the validity of several of its patents held a similar amount of Cisco stock, the IPR was permitted to proceed.<sup>8</sup> Despite the pending remand of the infringement case, the PTAB has now issued a decision finding Centripetal's claims unpatentable.<sup>9</sup>

**If the PREVAIL Act had been enacted:** This case would likewise have proceeded very differently under the provisions of the PREVAIL Act. For example, the standing requirement likely would have foreclosed Palo Alto Networks' petition altogether because it had not been accused of infringing the relevant patent, and at minimum Cisco's joinder petition would have been barred due to the prior, final judgment of validity in the district court litigation. Cisco would also be barred from pursuing invalidity in the district court remand proceedings upon securing joinder to an existing IPR, but Cisco—who was otherwise time-barred—would have been subject to a rebuttable presumption against joinder with the Palo Alto Networks proceeding. Additional PREVAIL Act provisions that may have altered the outcome here include the presumption of validity and the heightened clear-and-convincing-evidence burden of proof for establishing unpatentability, both of which mirror the district-court standards. Additionally, the code of conduct requirement likely would have precluded the PTAB judge holding Cisco stock from sitting on the panel adjudicating the challenge to Centripetal's patents that would directly benefit Cisco and to which Cisco had been joined as a party.

3. Code200, UAB et al. v. Bright Data Ltd.

While this IPR proceeding may not have benefited from the media profile of the VLSI or Centripetal matters, it also reflects many of the harms that the PREVAIL Act seeks to remedy. The patent owner, Bright Data, prevailed in front of a jury against a validity challenge brought by some of the petitioners who subsequently sought review at the PTAB. Code200, one of the petitioners, had previously filed an unsuccessful IPR petition on the same patent. All of the petitioners were statutorily time-barred from filing their own petitions, so they sought to join a proceeding initiated by NetNut Ltd., which had already been terminated from the proceeding

---

<sup>8</sup> See, e.g., Kelcee Griffis, *Patent Probe Can Proceed Despite Judge's Cisco Stock Ownership*, Bloomberg Law (May 16, 2023), <https://news.bloomberglaw.com/ip-law/patent-probe-can-proceed-despite-judges-cisco-stock-ownership>.

<sup>9</sup> See *Palo Alto Networks, Inc. v. Centripetal Networks, Inc.*, IPR2022-00182, Paper 67 (PTAB May 23, 2023).

after settling with the patent owner. Despite the statutory bar, the “zombie” nature of the NetNut proceeding, and the prior district court decision, the PTAB permitted this challenge to proceed against Bright Data.<sup>10</sup>

**If the PREVAIL Act had been enacted:** Here again, the patent owner would have been spared significant harassment had the PREVAIL Act been enacted. For example, the PTAB would have been required to recognize the prior district court adjudication of validity, and the petitioners involved in that litigation would have been required to choose whether to litigate validity at the PTAB or in the district court. Additionally, the new joinder provisions likely would have precluded otherwise time-barred Code200 from joining NetNut’s proceeding, particularly because that proceeding no longer included an active petitioner following NetNut’s settlement and termination. Bright Data may also have benefited from the PREVAIL Act’s limitations on serial and duplicative petitions, as well as the presumption of validity and heightened burdens noted above.

#### 4. Google, Inc., Samsung Electronics Co. Ltd., and others v. Netlist Inc.

This particularly egregious example of abusive serial validity challenges partially predates the AIA, but the PREVAIL Act would prevent similar tactics going forward. Netlist is a publicly traded memory chip designer and manufacturer based in Irvine, California, with a portfolio of over 130 U.S. patents reflecting over \$100 million of research and development over the last 23 years. In 2009, Netlist sued Google for patent infringement, and—remarkably—that lawsuit remains pending to this day. Google and two additional entities filed three *inter partes* reexamination requests (a proceeding available prior to the AIA’s creation of IPRs) in 2010, which led the district court to stay the infringement litigation. While Netlist ultimately prevailed with respect to one of the challenged patent claims, the reexamination proceedings, administrative appeals, and judicial appeal lasted a decade, concluding only recently in 2020. Then in 2022, shortly after the stay was finally lifted, Samsung, a Google memory supplier, filed an IPR petition challenging that same patent claim.<sup>11</sup> That proceeding remains pending, as does Netlist’s 2009 infringement suit against Google.

**If the PREVAIL Act had been enacted:** Although the PREVAIL Act’s serial petition provision does not expressly address previous *inter partes* reexamination proceedings—which have not been available for over a decade—it does impose restrictions on multiple IPR or PGR petitions filed by the same entity or any related party, and it provides for discovery regarding potentially related parties. The bill also requires the PTAB to deny any petition raising the same or substantially the same prior art or arguments previously before the USPTO in any proceeding—a decision that is currently subject to the Director’s discretion. As noted previously, the PREVAIL Act also requires patents to be proven invalid under the same standards that apply in district courts. And the bill would prevent Samsung, Google, or any other petitioners from maintaining validity challenges in district court after the PTAB institutes review.

---

<sup>10</sup> See *Code200, UAB v. Bright Data Ltd.*, IPR2022-00861, Paper 19 (PTAB Oct. 19, 2022).

<sup>11</sup> See, e.g., Chun K. (Chuck) Hong, *Disruptive Startups Cannot Survive in a Post-AIA Patent Landscape*, IPWatchdog (Nov. 15, 2022), <https://ipwatchdog.com/2022/11/15/disruptive-startups-cannot-survive-in-a-post-aia-patent-landscape/id=152973/>.